

Message Text

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C O N F I D E N T I A L ALGIERS 2940

E.O. 11652: GDS
TAGS: BGEN, ETRD, AG, US
SUBJECT: BARTER ARRANGEMENTS WITH ALGERIA

REF: STATE 286715

1. OUR COLLEAGUES IN SEVERAL EMBASSIES IN ALGIERS

CONFIRM THAT THE GOA HAS OFTEN SHOWN INTEREST IN CONCLUDING
BARTER DEALS WITH FOREIGN COMPANIES. ONLY DEAL THAT IS
KNOWN TO HAVE TAKEN PLACE WAS 1975 CONTRACT WITH VOLVO
OF SWEDEN INVOLVING TRUCKS AND CRUDE OIL. SWEDISH EMBASSY
SAYS IT DOES NOT KNOW DETAILS OR PRICES BUT ASSUMES THAT
PRICE OF OIL, WHILE NOMINALLY THE OPEC PRICE, WAS IN
EFFECT MADE LESS THROUGH THE DEVICE OF RAISING THE PRICE
OR HARDENING THE CONDITIONS OF SALE OF THE COUNTERPART
TRUCKS. THIS APPARENTLY BASED ON SWEDISH EMBASSY BELIEF
THAT THERE WOULD BE NO REASON FOR ALGERIANS TO BARTER
OIL IF IT WERE READILY SALEABLE FOR CASH AT THE FULL
OPEC PRICE.

2. SEVERAL EMBASSIES REPORT ALGERIAN EFFORTS TO INTEREST

FOREIGN FIRMS IN BARTER DEALS INVOLVING ALGERIAN
IRON ORE, PHOSPHATES OR OIL. BESIDES PREDICTABLE
PROBLEM OF FINDING FOREIGN FIRM WITH BOTH SOMETHING
TO SELL OF INTEREST TO THE ALGERIANS AND A NEED OR
OUTLET FOR THE ALGERIAN RAW MATERIAL, THESE OFFERS
HAVE USUALLY CALLED FOR TOO HIGH A PRICE FOR THE
PHOSPHATES OR IRON ORE. ALGERIANS HAVE SEEMED
INSENSITIVE TO MARKET REALITIES AND HAVE NOT BEEN
WILLING TO CUT PRICES TO CONSUMMATE DEALS. THEY
NEVERTHELESS CONTINUE TO LOOK FOR BARTER
OPORTUNITIES. INITIATIVE FOR THESE DEALS SEEMS TO
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COME MOSTLY FROM THE ALGERIANS, ALTHOUGH WE HAVE

HEARD OF BARTER "MARRIAGE BROKERS" IN EUROPEAN FINANCIAL CENTERS TRYING TO ARRANGE DEALS. ONE SUCH, IN STOCKHOLM, IS SAID TO HAVE ARRANGED A FEW SMALL DEALS INVOLVING TRADE BALANCING BETWEEN THE GOA AND SEVERAL PRIVATE SWEDISH FIRMS. THESE HAVE RESULTED IN A FEW HUNDRED THOUSAND DOLLARS BALANCE IN FAVOR OF ALGERIA THAT THE ALGERIANS ARE HAVING TROUBLE SPENDING IN SWEDEN. IN THE MEANTIME, THE FUNDS ARE HELD, WITHOUT INTEREST, IN SWEDISH BANKS.

3. BRITISH HERE SAY ALGERIANS WERE LOOKING FOR SUCH DEALS PARTICULARLY ACTIVELY IN EARLY 1975 WHEN FOREIGN EXCHANGE HOLDINGS WERE LOW. (SEE "INTERNATIONAL FINANCIAL STATISTICS" OF IMF.) ALGERIAN INTEREST SEEMS TO HAVE LESSENED AS FOREIGN EXCHANGE RESERVES HAVE INCREASED BUT GOA STILL SHOW INTEREST IN DEALS INVOLVING IRON ORE AND PHOSPHATES, THE LATTER BEING A COMMODITY PARTICULARLY HARD TO UNLOAD THESE DAYS. ALGERIANS DO NOT APPEAR INTERESTED IN DEALS INVOLVING OIL WHEN, AS NOW, THEY CAN SELL ALL THEIR PRODUCTION AT THE OPEC PRICE. GERMANS ALSO REPORT GOA INTEREST IN BARTERING PHOSPHATES AND IRON ORE, AND AMERICAN BUSINESS VISITORS HAVE TOLD US ALGERIANS HAVE INQUIRED ABOUT BARTER POSSIBILITIES INVOLVING WIDE RANGE OF GOODS, INCLUDING HANDICRAFTS. WE HAVE ALSO HEARD THAT ALGERIANS SOMETIMES PRESSURE SUPPLIERS TO HELP FIND CUSTOMERS FOR ALGERIANS PRODUCTS.

4. WE SUSPECT THAT THERE ARE TWO MOTIVES BEHIND GOA INTEREST IN BARTER ARRANGEMENTS: TO HIDE SALES OF OIL AT LESS THAN OPEC PRICE WHEN NECESSARY TO OFFLOAD ALL ALGERIAN PRODUCTION, AND TO EXPORT MATERIALS OTHERWISE UNSALEABLE AT PRICES THE ALGERIANS CONSIDER ADEQUATE.

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